



**Thembisile Hani Local Municipality
Annual Financial Statements
for the year ended 30 June 2015**

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Members of the Council

Executive Mayor

Speaker

Chief Whip

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

Member

Member

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Member

Hon. NJ Mahlangu

Cllr PP Moseri

Cllr JL Mtsweni

Cllr LX Mtsweni

Cllr HM Kabine

Cllr JJ Jiyane

Cllr MQ Mnguni

Cllr LM Mboweni

Cllr A Mahlangu

Cllr MP Mtsweni

Cllr TL Huma

Cllr MA Motena

Cllr BJ Skosana

Cllr KV Jiyane

Cllr CD Zabane

Cllr M Msliza

Cllr LM Tshabangu

Cllr MJ Masuku

Cllr HM Dhlalalala

Cllr TE Mashinini

Cllr N Ngoma

Cllr M Danisa

Cllr MC Mosena

Cllr BS Mnyakeni

Cllr DD Sithole

Cllr NS Mahlangu

Cllr PA Masombuka

Cllr SS Mbonani

Cllr MJ Madonsela

Cllr BP Masombuka

Cllr JZ Buthe

Cllr MS Nkutha

Cllr JM Masombuka

Cllr MC Shabalala

Cllr JB Mahlangu

Cllr RH Mohlamonyane

Cllr M Mlambo

Cllr JF Mashiya

Cllr TW Mithombeni

Cllr MM Sepogwana

Cllr AB Khumalo

Cllr JT Mahlangu

Cllr MH Buda

Cllr DM Msibi

Cllr MT Nobela

Cllr MO Sikosana

Cllr SJ Masango

Cllr SL Mahlangu

Cllr NB Malefo

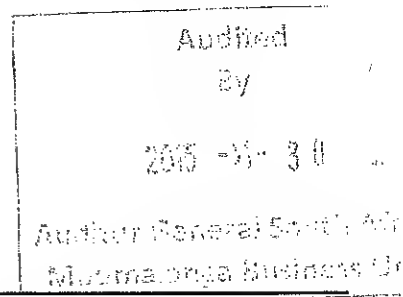
Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

General Information

Member	Cllr JS Ntuli
Member	Cllr AS Motau
Member	Cllr BT Mahlangu
Member	Cllr JJ Tau
Member	Cllr SS Dube
Member	Cllr HM Kabine
Member	Cllr MM Nkabinde
Member	Cllr SZ Mnamatheli
Member	Cllr DV Lukhele
Member	Cllr SM Hlungwani
Grading of local authority	Grade 3
Municipal Manager (MM)	Mr ON Nkosi
Chief Finance Officer (CFO)	Ms MS Makgaba
Physical Address	24 Kwaggafontein C Kwaggafontein 3100
Postal address	Private Bag X4041 Empumalanga 0458
Bankers	Nedbank
Auditors	Auditor General of South Africa
Telephone number	013 986 9100
Fax- Number	013 986 0995
Email- Address	nkosio@thembisilehanilm.gov.za

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 48 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.


M. ON Nkosi
Municipal Manager
31 August 2015

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand

Note(s) 2015 2014
Restated**ASSETS****Current Assets**

Inventories	2	7,591,532	1,341,651
Receivables from exchange transactions	3	3,495,829	3,586,704
VAT receivable	4	8,860,818	4,205,525
Consumer debtors	5	46,041,666	10,611,914
Cash and cash equivalents	6	86,440,151	41,211,431
		152,429,996	60,957,225

Non-Current Assets

Investment property	7	1,238,919	1,238,919
Property, plant and equipment	8	1,585,937,556	1,608,152,271
		1,587,176,475	1,609,391,190

Total Assets**1,739,606,471 1,670,348,415****LIABILITIES****Current Liabilities**

Payables from exchange transactions	9	89,911,025	53,124,576
Unspent conditional grants and receipts	11	57,091,035	89,747,800
Provisions	12	2,714,554	2,786,753
		149,716,614	145,659,129

Non-Current Liabilities

Employee benefit obligation	13	5,297,000	4,222,000
Provisions	12	18,994,717	18,636,137
		24,291,717	20,858,137

Total Liabilities**174,008,331 166,517,266****NET ASSETS****1,565,598,140 1,503,831,149****Reserves**

Revaluation reserve		207,577,510	207,577,510
Accumulated surplus		1,358,020,630	1,298,253,639

Total Net Assets**1,565,598,140 1,503,831,149**

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand

Note(s) 2015 2014
Restated

Revenue

Revenue from exchange transactions

Interest received (trading)	24,678,747	20,426,233
Interest received - investment	4,103,851	2,855,827
Rental of facilities and equipment	773,694	371,898
Service charges	14 56,256,818	53,160,807
Total revenue from exchange transactions	85,813,110	76,814,765

Revenue from non-exchange transactions

Taxation revenue

Property rates	15 45,254,092	18,019,174
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Transfer revenue

Fines	11,722,482	2,981,254
Government grants & subsidies	16 362,851,765	337,500,744
Other income	17 1,337,851	3,842,500
Licences and permits	5,296,314	4,380,049
Public contributions and donations	18 25,830,449	60,264,907

Total revenue from non-exchange transactions

	452,092,953	426,988,628
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Total revenue	537,906,063	503,803,393
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Expenditure

Employee related costs	19 (104,534,024)	(98,788,418)
Remuneration of councillors	20 (18,331,948)	(17,836,258)
Depreciation and amortisation	21 (105,276,909)	(130,784,648)
Impairment loss	(72,150)	-
Finance costs	(660,584)	-
Debt impairment	22 (55,205,652)	(153,254,941)
Bulk purchases	23 (99,989,953)	(110,836,819)
Repairs and maintenance	(1,478,104)	(7,630,575)
Grants and subsidies paid	24 (12,297,000)	(2,842,000)
General Expenses	25 (81,045,895)	(103,758,222)

Total expenditure	(478,892,219)	(623,731,881)
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Operating surplus (deficit)

	26 59,013,844	(119,928,488)
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Loss on disposal of assets and liabilities	(558,287)	(32,944)
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Decrease in leave and bonus provision	72,199	1,893,100
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	(486,088)	1,860,156
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Surplus (deficit) for the year	58,527,756	(118,068,332)
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2015 -11- 30

Annual Financial Statements for the year ended 30 June 2015

Assistant General South Africa
Public Relations Officer

Figures in Rand

Figures in Rand		Revaluation reserve	Accumulated surplus	Total net assets
	Note	Revaluation reserve		
Opening balance as previously reported		-	1,614,733,238	1,614,733,238
Adjustments				
Correction of error		207,577,510	(213,475,207)	(5,897,697)
Balance at 01 July 2013 as restated		207,577,510	1,401,258,031	1,608,835,541
Changes in net assets				
Vat adjustment		-	11,991,816	11,991,816
Property, plant and equipment		-	177,273	177,273
Correction of error	35	-	894,851	894,851
Net income (losses) recognised directly in net assets		-	13,063,940	13,063,940
Surplus for the year		-	(118,068,332)	(118,068,332)
Total recognised income and expenses for the year		-	(105,004,392)	(105,004,392)
Total changes		-	(105,004,392)	(105,004,392)
Balance at 01 July 2014 Restated		207,577,510	1,296,253,636	1,503,831,146
Changes in net assets				
Surplus for the year		-	58,527,756	58,527,756
WIP transferred		-	(6,837,727)	(6,837,727)
Vat adjustment		-	9,385,385	9,385,385
Payables adjustment		-	679,314	679,314
PPE adjustment		-	12,266	12,266
Total changes		-	61,766,994	61,766,994
Balance at 30 June 2015		207,577,510	1,358,020,630	1,565,598,140

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Taxes		57,491,253	35,806,482
Sales of goods and services		9,119,859	29,608,267
Grants		330,195,000	424,410,000
Interest income		4,103,851	2,855,827
Other receipts		1,353,220	354,263
		<u>402,263,183</u>	<u>493,034,839</u>
Payments			
Employee costs		(121,790,971)	(113,634,676)
Suppliers		(143,958,761)	(230,533,387)
Finance costs		(660,584)	-
		<u>(266,410,316)</u>	<u>(344,168,063)</u>
Net cash flows from operating activities	27	<u>135,852,867</u>	<u>148,866,776</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(90,590,929)	(114,458,744)
Proceeds from sale of property, plant and equipment	8	(33,218)	2,741,525
Net cash flows from investing activities		<u>(90,624,147)</u>	<u>(111,717,219)</u>
Net increase/(decrease) in cash and cash equivalents		<u>45,228,720</u>	<u>38,022,179</u>
Cash and cash equivalents at the beginning of the year		41,211,431	3,189,252
Cash and cash equivalents at the end of the year	6	<u>86,440,151</u>	<u>41,211,431</u>

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Audited
By
2015-09-30
Auditor General South Africa
Municipal Finance Officer

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	44,650,459	9,123,256	53,773,715	56,256,818	2,483,103	
Rental of facilities and equipment	135,318	399,087	534,405	773,694	239,289	
Interest received (trading)	21,240,000	2,128,673	23,368,673	24,678,747	1,310,074	
Income from agency services	5,800,000	-	5,800,000	5,099,780	(700,220)	
Licences and permits	202,713	92,313	295,026	196,534	(98,492)	
Interest received - investment	500,000	954,904	1,454,904	4,103,851	2,648,947	
Total revenue from exchange transactions	72,528,490	12,698,233	85,226,723	91,109,424	5,882,701	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,656,525	15,429,696	22,086,221	45,254,092	23,167,871	
Transfer revenue						
Other income	2,298,181	(19,320)	2,278,861	1,337,851	(941,010)	
Public contributions and donations	-	-	-	25,630,449	25,630,449	
Fines	476,927	461,975	938,902	11,722,482	10,783,580	
Government grants and subsidies	280,980,250	110,059,750	391,040,000	382,851,765	(28,188,235)	
Total revenue from non-exchange transactions	290,411,883	125,932,101	416,343,984	446,796,639	30,452,655	
Total revenue	362,940,373	138,630,334	501,570,707	537,906,063	36,335,356	
Expenditure						
Employee related costs	(101,035,795)	1,432,715	(99,603,080)	(104,534,024)	(4,930,944)	
Remuneration of councillors	(19,091,720)	737,631	(18,354,089)	(18,331,948)	22,141	
Depreciation and amortisation	(174,084,397)	130,434,397	(43,650,000)	(105,276,909)	(61,626,909)	
Impairment loss	-	-	-	(72,150)	(72,150)	
Finance costs	-	-	-	(660,584)	(660,584)	
Debt impairment	(55,997,200)	-	(55,997,200)	(55,205,652)	791,548	
Repairs and maintenance	(17,850,000)	4,721,706	(13,128,294)	(1,478,104)	11,650,190	
Bulk purchases	(100,000,000)	19,931,773	(80,068,227)	(99,989,953)	(19,921,726)	
Contracted Services	(6,300,000)	(1,828,782)	(8,128,782)	-	8,128,782	
Grants and subsidies paid	(20,100,544)	876,306	(19,224,238)	(12,297,000)	6,927,238	
General Expenses	(47,744,058)	(2,928,337)	(50,672,395)	(80,955,208)	(30,282,813)	
Total expenditure	(542,203,714)	153,377,409	(388,826,305)	(478,801,532)	(89,975,227)	
Operating surplus	(179,263,341)	292,007,743	112,744,402	59,104,531	(53,639,871)	
Loss on disposal of assets and liabilities	-	-	-	(558,287)	(558,287)	
Transfers recognised-capital	110,819,750	520,753	111,340,503	80,096,765	(31,243,738)	
Decrease in leave and bonus provision	-	-	-	72,199	72,199	

2015-11-30

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts**Budget on Cash Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	110,819,750	520,753	111,340,503	79,610,677	(31,729,826)	
Deficit for the year	(68,443,591)	292,528,496	224,084,905	138,715,208	(85,369,697)	
Actual Amounts on Comparable Basis	(68,443,591)	292,528,496	224,084,905	138,715,208	(85,369,697)	

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

These annual financial statements are presented to the nearest South African Rand.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

The application of IGrap 1 requires estimations to be made on the probability of receipts for traffic fines. This is done using legislation, historical data and payment trends.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Audited
2014 - 2015

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Standards, amendments to standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 Related Party Disclosures
GRAP 32 Service Concession Arrangements: Grantor
GRAP 105 Transfer of Function Between Entities Under Common Control
GRAP 106 Transfer of Function Between Entities Not Under Common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.

The adoption of these standards will have no material impact on the Annual Financial Statements

The following GRAP standard has been approved but is not required to be applied:

GRAP 18 Segment Reporting.

1.4 Going concern

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.5 Inventories (continued)

1.6 Property, plant and equipment

Subsequent Measurement

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	50
Infrastructure	
• Roads and Stormwater	25-50
• Reservoirs	50
• Electrical	25
• Water Reticulation	120
• Sewer	60
• Bulk Water Pipeline	60-100
• Sewage Pump Station	50
• Water Pump Station	50
• Stabilisation Ponds 2	25
• Waste Water Treatment Plant	50
• Borehole	30
• Telemetry System 5	5
Community	
• Buildings	50
• Recreational Facilities	50
• Halls	50
• Libraries	50
• Parks and Gardens	50
• Creche	50
• Abattoir	50

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies**1.6 Property, plant and equipment (continued)****Other Assets**

• Plant and Equipment	5-10
• IT Equipment	3-5
• Office Equipment	3-7
• Furniture and Fittings	3-7
• Motor Vehicles	5

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Financial Instruments**Initial recognition and measurement**

Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

Receivables

Receivables are stated at amortised cost, which due to their short term nature, closely approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held on call and are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value

Payables

Payables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Offsetting

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

Other receivables

Other receivables consist of prepaid expenses and deposits relating to the provision of electricity and the leasing of the premises. These receivables are stated at amortised cost.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments are all considered indicators of impairment

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — that is when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating asset.

An asset is considered to be impaired when its recoverable service amount falls lower than its carrying value

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payables within 12 months after the service is rendered, such as paid vacation leave and sick, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

Post-employment benefit obligations

The municipality operates a defined contribution plan for its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses and contributions paid are expensed.

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

Audited
By

2015 -10- 30

Auditor General South Africa
Municipalities Auditors Unit

1.12 Employee benefits (continued)

Actuarial gains and losses are recognised immediately in the Statement of Financial Performance.

Past service costs are recognised immediately to the extent that the benefits are already vested.

The amount recognised in the Statement of Financial Position represents the present value of other long-term employee benefits as adjusted for the unrecognised past service costs and reduced by the fair value of plan assets.

Provision for employee benefits

Provision for employee entitlement to annual leave represents the present obligation that the municipality has to pay as a result of employees' services provided to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.14 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Donations and subsidy receipts

Income from donations and subsidies is recognised as income on receipt.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

Audited

By

2015 - 01 - 30

Auditor General South Africa
(Mpumalanga Province) Ltd

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.22 Value added tax (VAT)

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015 2014

2. Inventories

Consumable stores	573,066	1,027,011
Water	7,018,466	314,640
	7,591,532	1,341,651

During the 2014-2015 Financial Year, Thembisile Hani Local Municipality had an Inventory write down of Materials, Supplies and Stationery with a combined value of R 710 967.64
The municipality incurred water distribution losses to the value of R58 394 773 in the 2014-2015 financial year.

3. Receivables from exchange transactions

Other debtors	3,426,103	3,466,166
Traffic fines debtor	69,726	120,538
	3,495,829	3,586,704

4. VAT receivable

VAT	8,860,818	4,205,525
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

5. Consumer debtors

Gross balances		
Rates	211,198,360	171,885,303
Water	151,982,418	125,097,265
Sewerage	5,963,533	4,624,891
Refuse	49,418,326	36,779,911
	418,562,637	338,387,370

Less: Allowance for impairment

Rates	(171,753,966)	(163,785,362)
Water	(147,147,114)	(123,204,123)
Sewerage	(5,773,804)	(4,557,220)
Refuse	(47,846,087)	(36,228,751)
	(372,520,971)	(327,775,456)

Net balance

Rates	39,444,394	8,099,941
Water	4,835,304	1,893,142
Sewerage	189,729	67,671
Refuse	1,572,239	551,160
	46,041,666	10,611,914

Rates

Current (0 -30 days)	5,739,746	424,462
31 - 60 days	777,427	57,492
61 - 90 days	765,493	56,609
91 - 120 days	1,302,926	96,353
121 - 365 days	20,099,860	2,756,414
> 365 days	10,758,942	4,708,611
	39,444,394	8,099,941

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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By	
2015-11-30	
Auditor: Commissioner of Audit	
Municipal Business Unit	
2015	2014

5. Consumer debtors (continued)

Water

Current (0 -30 days)	229,858	89,995
31 - 60 days	67,899	26,584
61 - 90 days	67,187	26,305
91 - 120 days	67,033	26,245
121 - 365 days	948,024	371,175
> 365 days	3,455,303	1,352,838
	4,835,304	1,893,142

Sewerage

Current (0 -30 days)	3,936	1,404
31 - 60 days	3,892	1,388
61 - 90 days	3,867	1,379
91 - 120 days	3,858	1,376
121 - 365 days	61,995	22,112
> 365 days	112,181	40,012
	189,729	67,671

Refuse

Current (0 -30 days)	73,900	25,906
31 - 60 days	32,785	11,493
61 - 90 days	32,677	11,455
91 - 120 days	32,621	11,438
121 - 365 days	496,864	174,179
> 365 days	903,392	318,691
	1,572,239	551,160

Reconciliation of allowance for impairment

Balance at beginning of the year	(327,775,456)	(177,037,567)
Contributions to allowance	(44,745,515)	(150,737,889)
	(372,520,971)	(327,775,456)

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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2014

5. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	20,112,507	25,989,403
31 - 60 days	14,082,308	4,419,819
61 - 90 days	6,865,984	4,542,566
91 - 120 days	6,700,053	4,500,432
121 - 365 days	52,307,729	34,062,060
> 365 days	286,108,194	206,284,660
	386,176,775	279,798,940

Industrial/ commercial

Current (0 -30 days)	76,445	2,745,046
31 - 60 days	419,647	178,025
61 - 90 days	386,219	181,060
91 - 120 days	382,505	178,723
121 - 365 days	2,974,837	1,346,342
> 365 days	13,155,098	7,289,700
	17,394,751	11,918,896

National and provincial government

Current (0 -30 days)	135,399	597,084
31 - 60 days	8,057,407	57,116
61 - 90 days	498,155	57,070
91 - 120 days	434,302	52,038
121 - 365 days	3,772,488	378,129
> 365 days	2,093,314	1,628,462
	14,991,065	2,767,897

Total

Current (0 -30 days)	20,324,351	29,331,533
31 - 80 days	22,559,362	4,654,980
61 - 90 days	7,750,358	4,780,696
91 - 120 days	7,516,860	4,731,191
121 - 365 days	59,055,054	35,784,531
> 365 days	301,356,652	259,104,458

Less: Allowance for impairment

418,562,637	338,387,369
(372,520,971)	(327,775,455)
46,041,666	10,611,914

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,000	5,000
Bank balances	36,242,573	41,023,395
Short-term deposits	50,192,578	183,036
	86,440,151	41,211,431

Thembisile Hani Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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Audited By
2015 -11- 30
Auditor General South Africa Municipal Finance Systems Unit
2015 2014

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Current Account - 620-262-96427	8,533,386	8,436,839		8,533,386	8,436,839	
First National Bank - Call Deposit - 621-470-52427	30,000,000	183,036		30,192,578	183,036	
Capitec Bank - Current Account - 117-301-4177	168,276	165,200		168,276	165,200	
Nedbank - Current Account - 100-422-2378 - Main Account	27,467,051	32,421,355	-	27,540,911	32,421,355	-
Nedbank Call deposit- 7881527927	20,000,000	-		20,000,000	-	
Total	86,168,713	41,206,430		86,435,151	41,206,430	

7. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3,786,524	(2,547,605)	1,238,919	3,786,524	(2,547,605)	1,238,919

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	164,857,655	(42,005,454)	122,852,201	164,857,655	(39,463,876)	125,393,779
Plant and machinery	44,143,504	(22,813,700)	21,329,804	43,978,504	(15,759,283)	28,219,221
Furniture and fixtures	2,960,503	(1,419,511)	1,540,992	2,926,507	(1,051,699)	1,874,808
Motor vehicles	8,556,324	(4,548,659)	4,007,665	8,556,324	(3,319,226)	5,237,098
Office equipment	51,017	(40,326)	10,691	51,017	(35,302)	15,715
IT equipment	3,149,963	(2,010,808)	1,139,155	3,081,130	(1,299,049)	1,782,081
Infrastructure	2,159,536,614	(990,572,826)	1,168,963,788	2,121,736,405	(905,991,017)	1,215,745,388
Community	355,929,408	(184,865,653)	171,063,755	351,868,333	(176,421,458)	175,446,875
Assets Under Construction	95,029,505	-	95,029,505	54,437,306	-	54,437,306
Total	2,834,214,493	(1,248,276,937)	1,585,937,556	2,751,493,181	(1,143,340,910)	1,608,152,271

Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & Buildings	125,393,779	-	-	-	-	(2,540,740)	(838)	122,852,201
Plant and machinery	28,219,221	165,000	-	-	-	(7,054,417)	-	21,329,804
Furniture and fixtures	1,874,808	33,996	-	-	-	(367,812)	-	1,540,992
Motor vehicles	5,237,098	-	-	-	-	(1,158,120)	(71,313)	4,007,665
Office equipment	15,715	-	-	-	-	(5,024)	-	10,691
IT equipment	1,782,081	68,833	-	-	-	(711,759)	-	1,139,155
Infrastructure	1,215,745,388	21,282,540	(525,069)	17,549,557	-	(85,088,628)	-	1,168,963,788
Community	175,446,875	4,061,075	-	(93,786)	-	(8,350,409)	-	171,063,755
Assets Under Construction	54,437,306	64,979,485	-	(17,549,557)	(6,837,729)	-	-	95,029,505
	1,608,152,271	90,590,929	(525,069)	(93,786)	(6,837,729)	(105,276,909)	(72,151)	1,585,937,556

Reconciliation of property, plant and equipment - 30 June 2014

	Opening balance	Additions	Disposals	Transfers	Correction of error	Depreciation	Total
Land & Buildings	128,059,932	-	-	-	147,262	(2,813,415)	125,393,779
Plant and machinery	26,266,622	12,855,940	-	-	-	(10,903,341)	28,219,221
Furniture and fixtures	2,387,152	152,226	-	-	-	(664,570)	1,874,808
Motor vehicles	5,388,298	1,586,284	-	-	-	(1,737,484)	5,237,098
Office equipment	42,117	-	-	-	-	(26,402)	15,715
IT equipment	2,013,946	559,272	(32,944)	-	-	(758,193)	1,782,081
Infrastructure	1,213,114,241	77,527,777	(1,502,605)	12,959,846	18,901,118	(105,254,989)	1,215,745,388
Community	184,452,049	808,453	(1,238,920)	-	-	(8,574,707)	175,446,875
Assets Under Construction	55,057,792	20,968,792	-	(12,959,846)	(8,629,432)	-	54,437,306
	1,616,782,149	114,458,744	(2,774,469)	-	10,418,948	(130,733,101)	1,608,152,271

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8. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was 30 June 2012. Revaluations were performed by independent valuer, Mr Kurt Rohner [BSc in Civil Engineering with 30 years experience in the engineering field and registered with the Engineering council of South Africa with Membership No.830162], of Messrs i@consulting. i@consulting are not connected to the municipality.

Land and buildings are re-valued independently every 5 years.

The valuation was performed using the recent arms length transaction method

The assumptions used were based on current market conditions.

9. Payables from exchange transactions

Retentions	10,010,916	11,966,609
Payments received in advance	6,017,843	2,703,255
Other Creditors	4,143,375	4,780,718
Accrued leave pay	8,781,712	3,495,308
Accrued Expenses	60,638,120	29,336,937
Other deposits	192,110	162,435
Trade Creditors	126,949	679,314
	89,911,025	53,124,576

10. VAT payable

Not Applicable

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	57,091,035	88,987,981
Integrated National Electrification Grant	-	759,819
	57,091,035	89,747,800

See note 15 for reconciliation of grants from National/Provincial Government.

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12. Provisions

Reconciliation of provisions - 30 June 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	16,636,137	2,358,580	-	18,994,717
Provision for Bonuses	2,786,753	-	(72,199)	2,714,554
	19,422,890	2,358,580	(72,199)	21,709,271

Reconciliation of provisions - 30 June 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	14,713,098	1,923,039	-	16,636,137
Provision for Bonuses	3,125,125	-	(338,372)	2,786,753
	17,838,223	1,923,039	(338,372)	19,422,890

Non-current liabilities	18,994,717	16,636,137
Current liabilities	2,714,554	2,786,753
	21,709,271	19,422,890

The municipality raises a provision for 13th cheque bonuses that staff members receive during their birthday month. The provision is based on the most recent effective salary notches of individual employees.

The municipality has two dumping sites, one in Kwaggafontein which is 3,5 hectares and the other one in KwaMhlanga which is 5,4 hectares. The remaining useful lives of these dumping sites are 7 years and 8 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

The Operational and Maintenance costs of the landfill sites were conducted independently by Aurecon.

13. Employee benefit obligations

Long service bonus award

The municipality's long service bonus awards consists of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(5,297,000)	(4,222,000)

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015 by Gershhem Holding. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Net expense recognised in the statement of financial performance

Current service cost	772,000	792,000
Interest cost	361,000	233,000
Actuarial (gains) losses	(14,000)	(7,000)
	1,119,000	1,018,000

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13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Duration of liability (years)	10.00	10.97
Normal retirement age	63	63
Discount rates used	8.51 %	8.60 %
Inflation rates used	6.25 %	6.36 %
Expected increase in salaries	7.25 %	7.36 %

Sensitivity analysis

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.15% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percenta ge point increase	One percenta ge point decrease
Accrued liability	5,831,000	4,830,000
Expense cost	1,438,000	1,159,000

The above table illustrates that for the 30 June 2015 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 10.0% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 8.8% decrease in the accrued liability.

14. Service charges

Sale of water	41,960,975	35,006,390
Sewerage and sanitation charges	1,510,233	-
Refuse removal	12,785,610	18,154,417
	<u>56,256,818</u>	<u>53,160,807</u>

15. Property rates

Rates received

Residential	45,254,092	18,019,174
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Valuations

Residential	8,879,105,479	11,227,274,237
Commercial	163,487,015	589,152,378
State	3,960,000	-
Municipal	97,959,660	18,677,422
Agricultural	1,765,238,000	2,011,155,680
Schools	255,000,500	1,690,000
Parks	24,739,700	64,945,042
	<u>9,189,490,354</u>	<u>13,912,894,759</u>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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16. Government grants and subsidies

Operating grants

Equitable share

259,923,819	237,008,000
259,923,819	237,008,000

Capital grants

Municipal Infrastructure Grant (MIG)
Financial Management Grant (FMG)
Integrated National Electrification Grant (INEG)
Municipal Systems Infrastructure Grant (MSIG)
EPWP
Water Subsidy
INEP - In Kind
Water Grant - In Kind

79,336,946	88,132,019
1,600,000	1,550,000
-	2,078,725
934,000	890,000
3,757,000	2,842,000
10,000,000	5,000,000
7,000,000	-
300,000	-
102,927,946	100,492,744
362,851,765	337,500,744

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MIG

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

88,987,981	-
47,440,000	177,120,000
(79,336,946)	(88,132,019)
57,091,035	88,987,981

Conditions still to be met - remain liabilities (see note 11).

FMG

Current-year receipts
Conditions met - transferred to revenue

1,600,000	1,550,000
(1,600,000)	(1,550,000)

Integrated National Electrification Grant

Balance unspent at beginning of year
Conditions met - transferred to revenue
Allocated to Equitable Share

759,819	2,838,544
-	(2,078,725)
(759,819)	-
-	759,819

Conditions still to be met - remain liabilities (see note 11).

MSIG

Current-year receipts
Conditions met - transferred to revenue

934,000	890,000
(934,000)	(890,000)

EPWP

Current-year receipts

3,757,000	2,842,000
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16. Government grants and subsidies (continued)

Conditions met - transferred to revenue

(3,757,000)	(2,842,000)
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Water subsidy

Current-year receipts

10,000,000	5,000,000
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Conditions met - transferred to revenue

(10,000,000)	(5,000,000)
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17. Other income

Sundry Income

1,337,851	3,842,500
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18. Public contributions and donations

Donations received

25,630,449	60,264,907
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Donations by way of assets were received from National Treasury, Department of Environmental affairs and municipal staff.

Thembisile Hani Local Municipality

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19. Employee related costs

Basic	68,393,461	66,216,253
Bonus	5,305,989	4,986,352
Medical aid - company contributions	4,921,174	3,991,760
UIF	599,952	623,473
WCA	1,949,977	-
SDL	775,745	773,714
SALGBC	33,091	29,738
Leave pay provision charge	5,471,662	-
Cellphone Allowance	445,230	164,131
Pension contributions	12,697,194	12,266,982
Travel, motor car, accommodation, subsistence and other allowances	2,255,011	2,441,555
Overtime payments	124,555	3,218,485
Provision for long-service awards	1,075,000	990,000
Acting allowances	401,917	999,878
Housing benefits and allowances	84,066	86,097
	104,534,024	96,788,418

Remuneration of Municipal Manager- Mr J Sindane 01 July 2014-28 February 2015

Annual Remuneration	770,880	1,183,387
Car Allowance	120,000	180,000
Contributions to UIF, Medical and Pension Funds	2,877	3,636
Subsistence and travel allowance	39,921	85,940
	933,478	1,452,943

Remuneration of Municipal Manager- Mr ON Nkosi 01 March 2015 -30 June 2015

Annual Remuneration	289,080	-
Car Allowance	45,000	-
Contributions to UIF, Medical and Pension Funds	892	-
Subsistence and travel allowance	39,921	-
	374,893	-

Remuneration of Chief Financial Officer- Ms LS Sehlako 02 July 2014 - 30 September 2014

Annual Remuneration	174,079	-
Car Allowance	25,000	-
Contributions to UIF, Medical and Pension Funds	45,370	-
	244,449	-

Remuneration of Chief Financial Officer-Mr OD Ledwaba 01 October 2014-14 March 2015

Annual Remuneration	137,851	-
Car Allowance	20,000	-
Contributions to UIF, Medical and Pension Funds	38,614	-
	196,465	-

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19. Employee related costs (continued)**Remuneration of Chief Financial Officer - Ms MS Makgaba 15 March 2015- 30 June 2015**

Annual Remuneration	262,878	891,066
Car Allowance	195,000	-
Backpay	648,297	-
Contributions to UIF, Medical and Pension Funds	39,595	37,880
Subsistence and travel allowance	6,558	30,495
	1,152,328	959,441

Remuneration of Corporate Services Manager -Mr P.Mabuza

Annual Remuneration	635,199	716,618
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	201,003	67,399
Subsistence and travel allowance	-	5,460
	1,016,202	969,477

Remuneration of Social Services Manager -Mr T. Kubheka

Annual Remuneration	673,930	672,354
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	194,333	57,955
Subsistence and travel allowance	-	21,020
	1,012,263	895,329

Remuneration of Technical Services Manager- Mr AS Ntuli

Annual Remuneration	714,804	694,362
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	110,669	33,380
Subsistence and travel allowance	26,624	32,664
	972,097	880,406

20. Remuneration of councillors

Executive Mayor	739,363	630,128
Chief Whip	462,226	331,813
Speaker	595,664	357,297
Councillors.	16,534,695	16,517,020
	18,331,948	17,836,258

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

21. Depreciation and amortisation

Property, plant and equipment	105,276,909	130,784,648
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22. Debt impairment

Contributions to traffic fine debt impairment provision	10,460,136	2,517,053
Contributions to consumer debt impairment provision	44,745,516	150,737,888
	55,205,652	153,254,941

23. Bulk purchases

Water	99,989,953	110,836,819
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24. Grants and subsidies paid

Grant expenditure (EPWP)	4,997,000	2,842,000
INEP - In Kind	7,000,000	-
Water Grant - In Kind	300,000	-
	12,297,000	2,842,000

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25. General expenses

Auditors remuneration	4,237,834	3,318,155
Advertising	214,295	434,234
Bank charges	152,989	171,663
Provision for landfill site expense	2,358,579	1,923,040
Consulting and professional fees	2,963,199	3,868,259
Consumables	1,016,444	5,850,563
Discount allowed	790,100	-
Entertainment	300	23,287
Material and supplies	69,230	-
Plant and machinery	132	-
Insurance	1,364,759	887,930
Feasibility study	-	2,501,397
IT expenses	59,273	944,308
IDP process	-	142,640
Lease rentals on operating lease	768,939	1,275,552
Legal costs	3,308,306	3,586,473
Motor vehicle expenses	1,207,658	5,890,597
VAT recoverable expenses	4,041,484	5,734,915
Valuation roll	763,211	3,419,298
Fuel and oil	3,468,315	8,118,355
Catering	-	356,027
Postage and courier	8,216	79,918
Printing and stationery	859,075	1,586,042
Other Expenses	2,504,428	3,946,591
Sample testing	483,834	513,971
Security (Guarding of municipal property)	10,543,933	10,084,751
Software expenses	1,834,612	827,692
Subscriptions and membership fees	448,747	797,508
Telephone and fax	1,650,914	2,773,030
Training	779,126	805,213
Travel - local	387,829	2,396,691
Basic sanitation charge	-	118,563
Electricity	5,642,152	4,412,700
Uniforms	-	246,899
Ward committee expenditure	3,966,000	3,270,400
Free basic electricity	2,999,686	3,297,937
Waste water treatment works	8,529,662	5,000,000
Community workers programme	-	2,595,205
Cemeteries	-	1,006,528
Free basic water	13,822,634	11,553,890
	81,045,895	103,758,222

26. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Equipment

- Contractual amounts

	768,939	1,275,552
Loss on sale of property, plant and equipment	(558,287)	(32,944)
Impairment on property, plant and equipment	72,150	-
Depreciation on property, plant and equipment	105,276,909	130,784,648
Employee costs	122,865,972	114,624,676

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27. Cash generated from operations

Surplus (deficit)	58,527,756	(118,068,332)
Adjustments for:		
Depreciation and amortisation	105,276,909	130,784,648
Loss on sale of Assets	558,287	32,944
Movement in leave and bonus provision	(72,199)	-
Impairment deficit	72,150	-
Debt impairment	55,205,652	153,254,941
Movements in retirement benefit assets and liabilities	1,075,000	990,000
Movements in other provisions	2,358,580	1,584,667
Payables adjustment	679,314	-
Vat adjustment	9,385,385	-
Loss on PPE	106,053	-
Changes in working capital:		
Inventories	(6,249,881)	3,605,295
Receivables from exchange transactions	(10,369,262)	(2,626,991)
Consumer debtors	(80,175,267)	(92,411,894)
Payables from exchange transactions	36,786,449	(12,548,832)
VAT	(4,655,293)	(2,638,926)
Unspent conditional grants and receipts	(32,656,765)	86,909,256
	135,852,868	148,866,776

28. Fruitless and wasteful expenditure

Opening balance	92,367	-
Fruitless and wasteful expenditure	2,290,529	92,367
	2,382,896	92,367

29. Unauthorised expenditure

Unauthorised expenditure	115,850,336	39,434,294
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30. Irregular expenditure

Opening balance	49,220,682	-
Add: Irregular Expenditure - current year	50,996,479	49,220,682
Less: Amounts written off	(886,234)	-
	99,330,927	49,220,682

Details of irregular expenditure – current year

	Details	
Rand Water Project	Incurred due to CoGTA procuring on the municipality's behalf without following proper supply chain processes"	44,605,365

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By

2015 -11- 30

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2015 2014

31. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5,688,992	5,688,992
Consumer debtors	-	13,383,060	13,383,060
Cash and cash equivalents	86,437,076	-	86,437,076
	86,437,076	19,072,052	105,509,128

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	90,590,337	90,590,337

2014

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3,586,704	3,586,704
Consumer debtors	-	10,611,914	10,611,914
Cash and cash equivalents	41,211,431	-	41,211,431
	41,211,431	14,198,618	55,410,049

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	52,353,203	52,353,203

32. Commitments

Authorised capital expenditure

- Already contracted for but not provided for
- Property, plant and equipment

104,130,694	12,609,908
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33. Contingencies

THLM vs Lawmark Consulting cc. Case No: 70121/11

Joint Venture between Lawmark and Casnans is suing the municipality for the termination of contract. The amount being claimed is R1.2 million

THLM vs Piet Chilli

Mr. Chilli has issued a summons against the Municipality claiming among others loss of income as a result of alleged breach of contract on the part of the municipality to the amount of R38 204

THLM vs Johannah Ntuli

Johannah Ntuli is claiming R1 550 000 for damages as a result of negligence of the municipality.

THLM vs Makadi Dantla Trading & Projects

Makadi Dantla Trading alleges that municipality is indebted to Makadi Dantla for an amount in a sum of R360 371.00 which monies are due and payable as a result of cemetery fencing services rendered by Makadi Dantla on behalf of municipality.

THLM vs Lamola Incorporated

A letter of demand for the amount of R2 402 070 was given to the municipality by Lamola Incorporated.

34. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

35. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee
Amount paid - current year

4,526,897	3,315,779
(4,526,897)	(3,315,779)
-	-

PAYE and UIF

Current year subscription / fee
Amount paid - current year

11,749,526	12,526,974
(11,749,526)	(12,526,974)
-	-

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37	
2015 - (1) - 30	
Audited by: [illegible]	
[illegible]	
2015	2014

35. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	19,450,059	21,995,136
Amount paid - current year	(19,450,059)	(21,995,136)
	-	-

VAT

VAT receivable	8,860,818	4,205,525
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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35. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dhlangalala Hereminah Nomakhuwa	-	1,460	1,460
Danisa Muziwakhile	-	1,427	1,427
Huma Tabeah Leah	-	675	675
Jiyane Koos Vusi	-	2,085	2,085
Khumalo Aaron Bhinga	-	896	896
Hiungwani Sarah Malebo	-	16,850	16,850
Komane Molo Gibson	-	2,018	2,018
Mahlangu Amos	-	8,159	8,159
Mahlangu Johannes Buti	-	1,442	1,442
Mahlangu Jerry Thili	-	6,796	6,796
Mahlangu Bellinah Thobile	-	8,110	8,110
Lukele David Vulani	-	14,040	14,040
Madonsela Malasi Josiah	-	4,132	4,132
Masango Seisiwe Jack	-	128	128
Mahlangu Solomon Linda	-	1,780	1,780
Malefo Nimrod Boitumelo	-	1,245	1,245
Mahlangu Ndaweni Johannes	-	2,535	2,535
Mahlangu Zelani Nelly	-	3,814	3,814
Masango Thandi Esther	-	1,722	1,722
Mlambo Maria	-	453	453
Mashiya Joseph Fanie	-	11,183	11,183
Mnguni Maria Qhubeni	-	133	133
Mnamatheli Samuel Zwelabo	-	2,784	2,784
Mboweni Linda Modiegi	-	2,950	2,950
Masuku Marry Jane	-	2,035	2,035
Mashinini Thabisi Eise	-	9,078	9,078
Mnguni Zenaye Jantjie	-	11,434	11,434
Masombuka Bafana Philip	-	6,332	6,332
Masombuka John Msebenzi	-	4,746	4,746
Motena Mitopi Andries	-	24	24
Mohlamongane Raisibe Hellen	-	229	229
Mnisi Sgaule Timothy	-	1,388	1,388
Msibi Daisy Mamanyana	-	2,115	2,115
Motau Aaron Samson	-	5,494	5,494
Moseri Phineas Pule	-	16,582	16,582
Mohoaduba Andrew Mduduzi	-	2,720	2,720
Msiza Poppy Maria	-	2,194	2,194
Mosena Mapuse Christina	-	693	693
Mnyakeni Boisana Solomon	-	2,094	2,094
Skosana Badanile Johanna	-	4,090	4,090
Sepogoane Moses Mmoisetsie	-	3,954	3,954
Mtsweni S.P	-	2,523	2,523
Sikosana Mzwandile Obed	-	34	34
Ntuli Jan samuel	-	1,711	1,711
Nkabinde Moses Michael	-	447	447
Mthombeni Thandi Winnie	-	20,327	20,327
Zabane Canella dudu	-	6,931	6,931
Nobela Maria Truddy	-	3,170	3,170
Tau Joyce Johannah	-	1,310	1,310
Tshabangu Lillian Martha	-	1,781	1,781
Mtsweni Rubber Qaliwe	-	2,520	2,520

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Attorney General South Africa

Municipal Business Unit

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35. Additional disclosure in terms of Municipal Finance Management Act (continued)

Zondi Stanely Thabang	-	27	27
Shabalala Mandla Cyrel	-	9,101	9,101
	-	221,901	221,901

30 June 2014

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu Amos	136	8,065	8,201
Mtsweni Phillip Mcithwa	137	632	769
Huma Tabeah Leah	102	1,539	1,641
Motana Mitopi Andries	-	304	304
Skosana Bandile Johanna	126	5,592	5,718
Jiyane Koos Vusi	-	1,124	1,124
Mahlangu Johannes Buti	-	846	846
Mohlamonyane Raisibe Hellen	-	685	685
Mlambo Maria	-	804	804
Mashiya Joseph Fanie	242	9,522	9,764
Mnisi Sgaule Timothy	9	948	957
Sepogoane Moses Mmolsetsie	120	3,236	3,356
Khumalo Aaron Bhinga	-	1,068	1,068
Mhlangi Jerry Thili	125	6,215	6,340
Mtsweni S.P	89	1,582	1,671
Buda H.N	99	1,251	1,350
Melibi Daisy Mamanyane	88	1,300	1,388
Mnguni Maria Qhubeni	-	570	570
Sikosana Mzwandile Obed	-	824	824
Masango Selsiwe Jack	94	1,934	2,028
Mahlangu Solomon Linda	137	7,172	7,309
Malefo Nimrod Boitumelo	90	1,475	1,565
Ntuli Jan Samuel	89	1,586	1,675
Motau Aaron Samson	184	7,113	7,297
Mahlangu Bellinah Thobile	240	11,577	11,817
Mtsweni June Lindeni	55	8	83
Dube Shellboy Senzeni	108	797	905
Kabine Hendrick Martin	185	5,748	5,933
Nkabinde Moses Michael	90	940	1,030
Mnamatheli Samuel Zwelabo	19	1,796	1,815
Lukele David Vulani	240	14,775	15,015
Hlungwani Sarah Malebo	332	14,732	15,064
Mahlangu Ndaweni Johannes	4	4,102	4,106
Nthombeni Thandi Winnie	333	20,096	20,429
Zabane Canelia Dudu	126	6,404	6,530
Nobela Maria Truddy	121	4,645	4,766
Tau Joyce Johannah	-	1,412	1,412
Msiza Marcia	-	1,706	1,706
Tshabangu Lillian Martha	115	1,402	1,517
Mboweni Linda Modlegi	92	1,675	1,767
Dhlangalala Heremina Nomakhuwa	92	1,675	1,767
Motanyane Thokozile Egnas	159	282	441
Kabini Sam Ququza	141	7,997	8,138
Masuku Marry Jane	89	1,130	1,219
Moseri Phineas Pule	403	18,968	19,371
Mashinini Thabisile Elsie	140	8,932	9,072
Mohoadube Andrew Mduduzi	113	1,748	1,861
Sibanyoni Bethuel	454	20,117	20,571
Danisa Muziwakhile	-	756	756
Mahlangu Zelani Nelly	186	4,755	4,941
Mtsweni Rubber Qaliwe	88	1,090	1,178

Thembisile Hani Local Municipality

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35. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Mnguni Zenaye Jantjie	140	8,826	8,966
Komane Moloi Gibson	140	8,826	8,966
Madonsela Malasi Josiah	124	5,700	5,824
Masombuka Bafana Philip	139	11,438	11,577
Masango Thandi Esther	37	1,195	1,232
Myakeni Boisana Solomon	32	855	887
Zondi Stanely Thabang	-	540	540
Masombuka John Msebenzi	295	5,658	5,953
Shabalala Mandla Cyrel	268	11,046	11,314
Msiza Poppy Maria	11	242	253
	6,978	278,978	285,956

Supply chain management regulations - Deviations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.

Incident

If such goods or services are produced or available from single provider only
In any other exceptional case where it is impractical or impossible to follow
official procurement processes

16,436	-
136,069	-
152,505	-

36. Related parties

There were no related party transactions during the financial year.

37. Prior period errors

During the prior years Consumers were understated, this has been corrected.

During the prior year, the VAT was not declared by the system to the amount of R1 875 828.

During the prior year, output VAT to the amount of R293 996.69 was incorrectly declared.

The creditors to the amount of R201 687.64 were erroneously raised due to incorrect orders, this has been corrected.

In 2010 the debtors were erroneously written off, this has been corrected.

Property, Plant and Equipment had few errors occurred in 2012/2013 and 2013/2014 financial years. These included completed projects which were sitting in Assets under construction, components which were derecognised and capital expenditure which was sitting under Repairs and Maintenance. The adjustment has been made to correct the prior year balance of Property, Plant and Equipment.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	
Property, plant and equipment	- 4,567,921
Receivables from exchange transactions	- (30,391)
Payables from exchange transactions	- (1,005,517)
VAT Receivables	- 4,205,525
Accumulated Surplus	- (21,444,358)
Consumer debtors	- 6,263,440
Investment property	- 1,238,919
VAT payables	- 6,204,461

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Minister of Finance, Business and
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37. Prior period errors (continued)

Statement of Financial Performance

Service charges	-	(1,425,316)
Property rates	-	(4,832,179)
Depreciation	-	56,307
Interest received	-	(219,269)
Fines	-	(42,204)
Other income	-	626
Licenses and permits	-	2,646,575
Employee related costs	-	(8,770)
Debt impairment	-	6,069,770
Repairs and maintenance	-	(11,927,508)
General expenses	-	(4,596,147)

38. Budget differences

Material differences between budget and actual amounts

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The variance of actual expenditure over or under the final budget by 10% is considered to be a material variance.

1. Service charges - change due to new clients captured on consumer database and also corrections made on the database, including the increase of tariffs
2. Rental of facilities - received more than anticipated due to the demand of people hiring halls and stadiums.
3. Interest received (Trading) - less consumers paid their account and this resulted to an increased on interest received.
4. Licences and Permits - received income from those businesses that renewed their licences and a few from those opening new business.
5. Interest received - investment - more cash in reserve, invested on a short term basis.
6. Property rate - new consumers captured on the database, also correcting errors from previous years, including the increase of tariffs.
7. Public contributions and donations - received assets from Nkangala District Municipality.
8. Fines - we received more than anticipated since we put strict measures for those owing traffic fines and also the discount given.
9. Government grants - the difference is only on the part of MIG that still needs to be spent, we applied for roll-over for the money not spent and it was approved.
10. Employee cost - difference due to the less budgeting for rate used (CPI) as per SALGA circular.
11. Remuneration of councillors - there was less budgeting for the line item of travelling allowance.
12. Depreciation - during adjustment the depreciation for Infrastructure was not included.
13. Finance Cost - there was late payment of creditors.
14. Debt Impairment - corrected billing raised increased debts
15. Repairs and maintenance - less repairs made during the year
16. Bulk purchases - more water supply because of new areas established
17. Grants and subsidies paid - free basic water and electricity spending exceeded the budget amount, because new consumer were provided with free basic services
18. General Expense - there was less budgeting on line items and this resulted to the overspending

39. Going concern assumption

We draw attention to the fact that at the end of the reporting period, the municipality's creditors payment and debtors collection period is 175 days, thus creating challenges in the municipality's ability to honour the current liabilities. The annual financial statements have been prepared on the basis applicable to a going concern. This basis presumes that the funds will be available to finance further operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary cause of business. The ability of the municipality to continue as a going concern is dependent on:

A large portion of liability relates to Unspent Grants. The Municipality received approval of rolling over for unspent grants that will be used to finance the Commitments. Short term creditors were settled during July 2015. Budget for 2015/2016 was reduced to cover financing of year End Accruals.